COCHIN LEGISLATIVE COUNCIL PROCEEDINGS

OFFICIAL REPORT OF THE BUDGET SESSION, 1118

Monday, *the* *26th July 1943* / *10th Karkadagam 1118*

The Council met in the Council Hall, Ernakulam, at 11 of the clock with the Hon'ble the President (A. F. W. DIXON Esq., C.I.E., I.C.S.) in the Chair.

The Resident for the Madras States was also present.

Messrs. Parambi Lonappan (Commissioner of Excise) and T. P. Poulose were absent.

WELCOME ADDRESS BY THE PRESIDENT

Mr. President : On behalf of the Chair, and I am sure that I may add on behalf of all Hon'ble Members, I extend a hearty welcome to our distinguished visitor Mr. H. J. Todd, the new Resident for the Madras States. We all wish him success in his High Office, and hope that he may be able to do much for the benefit of the State.

SWEARING IN OF NEW MEMBERS

Mr. T. Narayana Menon, Conservator of Forests, and Mr. Joseph Petta were sworn in.

OPENING SPEECH BY THE PRESIDENT

Mr. President :

Hon'ble Members,

Once again I extend to you all a most cordial welcome to the Budget Session of this Council. A year ago we met, as I then stated, at a critical moment in the world's history when German forces were driving towards the Volga and into the Caucasus threatening Russia's most vital supply lines, Axis forces were within short marching distance of the Nile Delta, and the power of Japan had still not been seriously challenged. I mentioned then that a British Minister had stated that at no time since the Battle of Britian had we stood in graver peril. Today we meet under altogether changed conditions. The Germans were forced back in Russia sustaining staggering losses, our enemies have not only been eliminated from Africa, but are now having their homelands invaded, while Japan has sustained such serious losses that it is clear that her complete defeat is only a matter of time. President Roosevelt has been able to state that the invasion of Sicily marks the beginning of the end.

While we rejoice in these resounding successes and face the future with the greatest confidence, determined to do all we can to hasten victory, we realise that here in Cochin State, we have still many difficulties to face. We have passed through a difficult year marked by a continuous struggle to obtain a sufficiency of food to feed the people, and by a rapid rise in the cost of commodities, which, while it has benefitted large sections of the population, has caused hardship to many others.

ECONOMIC SITUATION

This problem of inflation is indeed one of the most serious and difficult with which the country is faced today. While considerable expansion of currency and increase in prices are inevitable in present circumstances, in view of India's gigantic war effort, it is necessary in the interests of the country to keep these increases within bounds to avoid disastrous economic consequences. The Government of India have taken and are taking action with that end in view, and it is the clear duty of States to co-operate in the interests of India as a whole. Cochin State can claim a good record in this respect. In a country with so low a standard of living as India, food is by far the most important commodity, and unless food prices are kept under control, other anti-inflationary measures will be largely ineffective. This State by taking over complete control of staple food grains from the field or place of entry to the consumer has introduced a thoroughly effective form of price control and has largely eliminated hoarding and profiteering.

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That food prices are not lower in the State is due to the fact that it is a heavily deficit area, and that we have to purchase much of our stock from other parts of India, where we have no control over prices.

Next in importance to the control of these vitally important commodities, in an anti-inflation drive, may be placed direct taxation of incomes. This State, besides imposing income-tax, was, it is believed, the first of all Indian States to impose Excess Profits Tax. Other anti-inflationary measures taken in the State have been the encouragement of the Defence Savings Movement, the adoption of the "inescapability" criterion in the choice of major works and an increase in Anchal rates. In view, however, of recent developments in India, Government consider that further steps may have to be taken to revise taxation; if this proves necessary, a special session of the Legislature may have to be summoned to consider the proposals. The proceeds of such taxation would not be paid into current revenues but into a separate fund, to be called the Post-war Development Fund, to be used for the benefit of the people after peace is restored. We also propose to intensify the drive to encourage investment in Defence Loans and Saving Certificates. I appeal to Hon'ble Members to co-operate in this movement which is so beneficial both to the war effort and to the economic life of the country.

FINANCIAL POLICY

Thus, though the general war situation has greatly improved during the past year, we are still faced with difficulties in India and in this State. It is true that in this State the unemployment problem has been temporarily almost completely solved and that there is plenty of money available, but there is a grave shortage of consumers goods, particularly food. Financially the State is passing through a prosperous period, but depending as we do so much upon the prosperity of the port and upon temporary war-time windfalls in revenue such as receipts from Excess Profits Tax and from timber extraction, it would be unwise not to adopt a cautious policy in regard to expenditure, generally confining new expenditure so far as possible to objects which are either inescapable or are at least essential to carry the State through this difficult period.

A year ago, I stated that in broad outline our financial policy should be to conserve our resources by exercising economy in expenditure other than that necessitated by the peculiar circumstances of our time. Such expenditure was termed "nation-saving", that is expenditure on the war effort and on defence measures, and expenditure on activities and projects designed to increase food production in the State and to provide employment in difficult times. So far as any additional taxation was concerned, it should be designed so far as possible to effect those classes to whom the war has brought additional profits. I feel that in view of the circumstances of today, this policy should still be continued.

ACTUALS FOR 1117

After these preliminary observations, I will now review briefly the budgetary position of the State. It is satisfactory to be able to report that the surplus for the year 1117 was considerably larger than was anticipated in the revised estimates. Against a surplus of Rs. 7·98 lakhs anticipated the actuals were Rs. 18·75 lakhs, out of which the substantial sum of Rs. 15 lakhs was transferred to the Revenue Reserve Fund. The revenue receipts for 1117 exceeded the Budget Estimate by Rs. 19·27 lakhs, mainly on account of large increase under Income-tax, due to revised rates of taxation and the introduction of the Excess Profits Tax, to increased forest revenue mainly due to provision of timber for war purposes, and to increased receipts from the Railway. Expenditure increased by Rs. 5·03 lakhs excluding transfer of Rs. 15 lakhs to Revenue Reserve Fund mainly on account of special expenditure necessitated by the war, and increased expenditure on the Railway.

REVISED ESTIMATE FOR 1118

For the current year we budgetted for a revenue of Rs. 124·36 lakhs, and an expenditure of Rs. 121·18 lakhs, leaving a surplus of Rs. 3·18 lakhs. The revised estimates show a large increase of Rs. 39·72 lakhs in revenue and a considerable increase of Rs. 29·24 lakhs in expenditure, bringing the figures to the record total of Rs. 164·08 lakhs revenue and Rs. 150·42 lakhs expenditure. The surplus is thus Rs. 13·66 lakhs or Rs. 10·48 lakhs more than was anticipated. Increases in Income-tax, Railway, Forest and Excise receipts account mainly for the striking rise in revenue.

The increase in expenditure is mainly due to special conditions created by the war. Considerable increases in expenditure on the Railway (Rs. 6·83 lakhs) and on Forests (Rs. 1·87 lakhs) are far more than counterbalanced by larger receipts. Another main cause for higher expenditure was the acute food problem facing the State, which necessitated the launching of a

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